



Lesedi Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2017  
Auditor General of South Africa

# **Lesedi Local Municipality**

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2017

## **General Information**

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<b>Nature of business and principal activities</b>	Local municipal functions as set out in the Constitution of South Africa (Act No. 105 of 1996)
<b>Accounting Officer</b>	I Rampedi
<b>Registered office</b>	Civic Centre C/o HF Verwoerd and Louw Street Heidelberg 1441
<b>Business address</b>	Civic Centre C/o HF Verwoerd and Louw Street Heidelberg 1441
<b>Postal address</b>	PO Box 201 Heidelberg 1438
<b>Bankers</b>	ABSA Bank
<b>Auditors</b>	Auditor General of South Africa

# **Lesedi Local Municipality**

(Registration number GT423)

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## **Index**

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **Lesedi Local Municipality**

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## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 60, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

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**Accounting Officer  
Designation**

# **Lesedi Local Municipality**

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2017

## **Audit Committee Report**

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We are pleased to present our report for the financial year ended 30 June 2017.

### **Audit committee members and attendance**

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year x number of meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
Adv M Mochatsi (Chairperson)	6
Mr M Dhladhla	7
Mr S Mofokeng	7
Mr F Makaula (Resigned 05/07/2017)	4

### **Audit committee responsibility**

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### **The effectiveness of internal control**

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

### **The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.**

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

### **Evaluation of annual financial statements**

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### **Internal audit**

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

### **Auditor-General of South Africa**

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

# **Lesedi Local Municipality**

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2017

## **Audit Committee Report**

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**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_

# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Assets</b>			
Current Assets			
Inventories	8	3 570 618	2 814 349
Receivables from exchange transactions	9	1 633 198	4 061 476
Receivables from non-exchange transactions	10	7 377 436	8 694 208
Consumer debtors	11	111 177 126	91 064 051
Cash and cash equivalents	12	11 314 951	15 282 318
		<b>135 073 329</b>	<b>121 916 402</b>
Non-Current Assets			
Investment property	3	198 779 297	210 150 082
Property, plant and equipment	4	610 370 986	600 672 879
Intangible assets	5	3 375 823	3 745 964
Heritage assets	6	4 662 664	4 820 366
		<b>817 188 770</b>	<b>819 389 291</b>
Non-Current Assets		817 188 770	819 389 291
Current Assets		135 073 329	121 916 402
<b>Total Assets</b>		<b>952 262 099</b>	<b>941 305 693</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	14	3 671 767	3 356 578
Payables from exchange transactions	16	90 957 903	108 285 534
VAT payable	17	42 148 935	18 046 700
Consumer deposits	18	10 740 910	9 563 820
Unspent conditional grants and receipts	13	1 083 921	3 906 551
Provisions	15	16 978 911	15 016 597
		<b>165 582 347</b>	<b>158 175 780</b>
Non-Current Liabilities			
Other financial liabilities	14	54 965 721	58 637 488
Employee benefit obligation	7	52 549 000	54 390 000
Provisions	15	8 739 581	8 394 776
		<b>116 254 302</b>	<b>121 422 264</b>
Non-Current Liabilities		116 254 302	121 422 264
Current Liabilities		165 582 347	158 175 780
<b>Total Liabilities</b>		<b>281 836 649</b>	<b>279 598 044</b>
Assets		952 262 099	941 305 693
Liabilities		(281 836 649)	(279 598 044)
<b>Net Assets</b>		<b>670 425 450</b>	<b>661 707 649</b>
Accumulated surplus		670 425 454	661 707 643

\* See Note 44

# Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	437 756 801	399 394 794
Rental of facilities and equipment	21	4 781 347	4 078 508
Licences and permits		64 822	62 201
Administration and management fees received		1 629 649	3 098 515
Recoveries		3 378 052	2 875 203
Other income	23	414 321	425 844
Interest received	24	15 178 827	11 771 535
<b>Total revenue from exchange transactions</b>		<b>463 203 819</b>	<b>421 706 600</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	96 106 256	89 841 384
<b>Transfer revenue</b>			
Government grants & subsidies	26	146 878 500	129 835 809
Fines, Penalties and Forfeits		37 383 845	47 683 629
<b>Total revenue from non-exchange transactions</b>		<b>280 368 601</b>	<b>267 360 822</b>
		463 203 819	421 706 600
		280 368 601	267 360 822
<b>Total revenue</b>	19	<b>743 572 420</b>	<b>689 067 422</b>
<b>Expenditure</b>			
Employee related costs	27	(157 124 522)	(143 155 909)
Remuneration of councillors	28	(10 023 890)	(9 222 847)
Depreciation and amortisation	29	(36 535 436)	(43 137 092)
Impairment loss/ Reversal of impairments	30	-	(99 332)
Finance costs	31	(11 261 531)	(14 457 584)
Debt Impairment	32	(139 242 477)	(112 267 249)
Collection costs		(245 913)	(415 661)
Repairs and maintenance		(19 416 977)	(21 475 150)
Bulk purchases	33	(277 099 681)	(255 241 789)
Contracted services	34	(366 853)	(566 528)
Transfers and Subsidies		(4 969 885)	-
General Expenses	35	(85 307 698)	(89 203 766)
<b>Total expenditure</b>		<b>(741 594 863)</b>	<b>(689 242 907)</b>
Total revenue		-	-
Total expenditure		743 572 420	689 067 422
<b>Operating surplus (deficit)</b>	38	<b>(741 594 863)</b>	<b>(689 242 907)</b>
Loss on disposal of assets and liabilities		1 977 557	(175 485)
Actuarial gains/losses	7	(239 748)	(162 406)
		6 980 000	1 042 000
		<b>6 740 252</b>	<b>879 594</b>
Operating surplus/deficit		6 740 252	879 594
Surplus before taxation		8 717 809	704 109
Taxation		-	-
<b>Surplus for the year</b>		<b>8 717 809</b>	<b>704 109</b>

\* See Note 44

# Lesedi Local Municipality

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	656 692 053	656 692 053
Adjustments		
Correction of errors	4 311 481	4 311 481
<b>Balance at 01 July 2015 as restated*</b>	<b>661 003 534</b>	<b>661 003 534</b>
Changes in net assets		
Surplus for the year	704 109	704 109
Total changes	704 109	704 109
<b>Restated* Balance at 01 July 2016</b>	<b>661 707 645</b>	<b>661 707 645</b>
Changes in net assets		
Surplus for the year	8 717 809	8 717 809
Total changes	8 717 809	8 717 809
<b>Balance at 30 June 2017</b>	<b>670 425 454</b>	<b>670 425 454</b>

Note(s)

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\* See Note 44

# Lesedi Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		88 477 826	81 720 714
Sale of goods and services		384 860 200	321 883 079
Grants		141 676 560	127 480 116
Interest income		15 178 827	11 771 535
		630 193 413	542 855 444
<b>Payments</b>			
Employee costs		(165 350 302)	(148 085 572)
Suppliers		(425 265 706)	(358 711 602)
Finance costs		(5 613 523)	(5 844 166)
		(596 229 531)	(512 641 340)
Total receipts		630 193 413	542 855 444
Total payments		(596 229 531)	(512 641 340)
<b>Net cash flows from operating activities</b>	<b>39</b>	<b>33 963 882</b>	<b>30 214 104</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(34 574 662)	(31 634 431)
Proceeds from sale of property, plant and equipment	4	(157 702)	822 868
Purchase of other intangible assets	5	-	(394 914)
Proceeds from sale of heritage assets	6	157 702	-
<b>Net cash flows from investing activities</b>		<b>(34 574 662)</b>	<b>(31 206 477)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(3 356 578)	(3 063 231)
<b>Net cash flows from financing activities</b>		<b>(3 356 578)</b>	<b>(3 063 231)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(3 967 358)</b>	<b>(4 055 604)</b>
Cash and cash equivalents at the beginning of the year		15 282 318	19 337 923
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b>11 314 960</b>	<b>15 282 319</b>

\* See Note 44

# Lesedi Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	456 006 105	(5 505 348)	<b>450 500 757</b>	437 756 801	<b>(12 743 956)</b>	Note 57(1)
Rental of facilities and equipment	4 331 427	1 197 323	<b>5 528 750</b>	4 781 347	<b>(747 403)</b>	Note 57 (2)
Licences and permits	61 972	(16 172)	<b>45 800</b>	64 822	<b>19 022</b>	
Administration and management fees received	2 723 079	(1 658 430)	<b>1 064 649</b>	1 629 649	<b>565 000</b>	Note 57(3)
Recoveries	156 832	333 101	<b>489 933</b>	3 378 052	<b>2 888 119</b>	Note 57(4)
Other income	44 930	327 474	<b>372 404</b>	414 321	<b>41 917</b>	
Interest received	14 699 910	(6 369 797)	<b>8 330 113</b>	15 178 827	<b>6 848 714</b>	Note 57(5)
<b>Total revenue from exchange transactions</b>	<b>478 024 255</b>	<b>(11 691 849)</b>	<b>466 332 406</b>	<b>463 203 819</b>	<b>(3 128 587)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	98 270 357	(21 274)	<b>98 249 083</b>	96 106 256	<b>(2 142 827)</b>
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##### Transfer revenue

Government grants & subsidies	143 979 538	2 441 966	<b>146 421 504</b>	146 878 500	<b>456 996</b>
Fines, Penalties and Forfeits	46 515 676	2 136	<b>46 517 812</b>	37 383 845	<b>(9 133 967)</b>

<b>Total revenue from non-exchange transactions</b>	<b>288 765 571</b>	<b>2 422 828</b>	<b>291 188 399</b>	<b>280 368 601</b>	<b>(10 819 798)</b>
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'Total revenue from exchange transactions'	478 024 255	(11 691 849)	<b>466 332 406</b>	463 203 819	<b>(3 128 587)</b>
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'Total revenue from non-exchange transactions'	288 765 571	2 422 828	<b>291 188 399</b>	280 368 601	<b>(10 819 798)</b>
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<b>Total revenue</b>	<b>766 789 826</b>	<b>(9 269 021)</b>	<b>757 520 805</b>	<b>743 572 420</b>	<b>(13 948 385)</b>
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<b>Operating surplus</b>	<b>(709 230 641)</b>	<b>(5 022 662)</b>	<b>(714 253 303)</b>	<b>(741 594 863)</b>	<b>(27 341 560)</b>
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	<b>57 559 185</b>	<b>(14 291 683)</b>	<b>43 267 502</b>	<b>1 977 557</b>	<b>(41 289 945)</b>
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# Lesedi Local Municipality

(Registration number GT423)

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
Loss on disposal of assets and liabilities	-	-	-	(239 748)	<b>(239 748)</b>	
Actuarial gains/losses	-	-	-	6 980 000	<b>6 980 000</b>	
	-	-	-	<b>6 740 252</b>	<b>6 740 252</b>	
Deficit before taxation	57 559 185	(14 291 683)	<b>43 267 502</b>	8 717 809	(34 549 693)	
Taxation	-	-	-	-	-	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>57 559 185</b>	<b>(14 291 683)</b>	<b>43 267 502</b>	<b>8 717 809</b>	<b>(34 549 693)</b>	

# Lesedi Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	3 217 784	299 237	<b>3 517 021</b>	3 570 618	<b>53 597</b>	
Receivables from exchange transactions	5 956 110	(1 614 267)	<b>4 341 843</b>	1 633 198	<b>(2 708 645)</b>	
Receivables from non-exchange transactions	25 092 374	(18 511 337)	<b>6 581 037</b>	7 377 436	<b>796 399</b>	
Consumer debtors	56 557 790	81 880 162	<b>138 437 952</b>	111 177 126	<b>(27 260 826)</b>	
Cash and cash equivalents	5 174 029	8 310 758	<b>13 484 787</b>	11 314 951	<b>(2 169 836)</b>	
	<b>95 998 087</b>	<b>70 364 553</b>	<b>166 362 640</b>	<b>135 073 329</b>	<b>(31 289 311)</b>	
<b>Non-Current Assets</b>						
Investment property	192 618 851	2 636 466	<b>195 255 317</b>	198 779 297	<b>3 523 980</b>	
Property, plant and equipment	719 040 600	(94 126 496)	<b>624 914 104</b>	610 370 986	<b>(14 543 118)</b>	
Intangible assets	2 749 508	251 977	<b>3 001 485</b>	3 375 823	<b>374 338</b>	
Heritage assets	157 702	-	<b>157 702</b>	4 662 664	<b>4 504 962</b>	
	<b>914 566 661</b>	<b>(91 238 053)</b>	<b>823 328 608</b>	<b>817 188 770</b>	<b>(6 139 838)</b>	
Non-Current Assets	95 998 087	70 364 553	<b>166 362 640</b>	135 073 329	<b>(31 289 311)</b>	
Current Assets	914 566 661	(91 238 053)	<b>823 328 608</b>	817 188 770	<b>(6 139 838)</b>	
<b>Total Assets</b>	<b>1 010 564 748</b>	<b>(20 873 500)</b>	<b>989 691 248</b>	<b>952 262 099</b>	<b>(37 429 149)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	3 371 767	-	<b>3 371 767</b>	3 671 767	<b>300 000</b>	
Payables from exchange transactions	54 859 798	19 683 095	<b>74 542 893</b>	90 957 903	<b>16 415 010</b>	
VAT payable	22 779 751	10 426 278	<b>33 206 029</b>	42 148 935	<b>8 942 906</b>	
Consumer deposits	9 445 912	1 155 380	<b>10 601 292</b>	10 740 910	<b>139 618</b>	
Unspent conditional grants and receipts	(1 442 869)	(937 562)	<b>(2 380 431)</b>	1 083 921	<b>3 464 352</b>	
Provisions	11 460 323	4 275 669	<b>15 735 992</b>	16 978 911	<b>1 242 919</b>	
	<b>100 474 682</b>	<b>34 602 860</b>	<b>135 077 542</b>	<b>165 582 347</b>	<b>30 504 805</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	55 265 721	-	<b>55 265 721</b>	54 965 721	<b>(300 000)</b>	
Employee benefit obligation	56 436 000	3 484 000	<b>59 920 000</b>	52 549 000	<b>(7 371 000)</b>	
Provisions	4 747 680	3 818 418	<b>8 566 098</b>	8 739 581	<b>173 483</b>	
	<b>116 449 401</b>	<b>7 302 418</b>	<b>123 751 819</b>	<b>116 254 302</b>	<b>(7 497 517)</b>	
	100 474 682	34 602 860	<b>135 077 542</b>	165 582 347	<b>30 504 805</b>	
	116 449 401	7 302 418	<b>123 751 819</b>	116 254 302	<b>(7 497 517)</b>	
<b>Total Liabilities</b>	<b>216 924 083</b>	<b>41 905 278</b>	<b>258 829 361</b>	<b>281 836 649</b>	<b>23 007 288</b>	
Assets	1 010 564 748	(20 873 500)	<b>989 691 248</b>	952 262 099	<b>(37 429 149)</b>	
Liabilities	(216 924 083)	(41 905 278)	<b>(258 829 361)</b>	(281 836 649)	<b>(23 007 288)</b>	
<b>Net Assets</b>	<b>793 640 665</b>	<b>(62 778 778)</b>	<b>730 861 887</b>	<b>670 425 450</b>	<b>(60 436 437)</b>	

# **Lesedi Local Municipality**

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Annual Financial Statements for the year ended 30 June 2017

## **Statement of Comparison of Budget and Actual Amounts**

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	793 640 665	(62 778 778)	<b>730 861 887</b>	670 425 450	<b>(60 436 437)</b>	

# Lesedi Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Taxation	77 633 582	965 684	78 599 266	88 477 826	9 878 560
Sale of goods and services	377 035 591	8 632 129	385 667 720	384 860 200	(807 520)
Grants	143 979 538	(1 434 138)	142 545 400	141 676 560	(868 840)
Interest income	11 274 933	(3 743 597)	7 531 336	15 178 827	7 647 491
	<b>609 923 644</b>	<b>4 420 078</b>	<b>614 343 722</b>	<b>630 193 413</b>	<b>15 849 691</b>

##### Payments

Employee costs	(164 656 844)	(487 061)	(165 143 905)	(167 188 834)	(2 044 929)
Suppliers	(382 359 629)	(16 171 359)	(398 530 988)	(418 091 903)	(19 560 915)
Finance costs	(5 572 817)	-	(5 572 817)	(11 261 531)	(5 688 714)
	<b>(552 589 290)</b>	<b>(16 658 420)</b>	<b>(569 247 710)</b>	<b>(596 542 268)</b>	<b>(27 294 558)</b>
Total receipts	609 923 644	4 420 078	614 343 722	630 193 413	15 849 691
Total payments	(552 589 290)	(16 658 420)	(569 247 710)	(596 542 268)	(27 294 558)
<b>Net cash flows from operating activities</b>	<b>57 334 354</b>	<b>(12 238 342)</b>	<b>45 096 012</b>	<b>33 651 145</b>	<b>(11 444 867)</b>

#### Cash flows from investing activities

Purchase of property, plant and equipment	(57 011 000)	13 766 926	(43 244 074)	(34 574 662)	8 669 412
Proceeds from sale of property, plant and equipment	-	-	-	(157 702)	(157 702)
Purchases of heritage assets	-	-	-	157 702	157 702
<b>Net cash flows from investing activities</b>	<b>(57 011 000)</b>	<b>13 766 926</b>	<b>(43 244 074)</b>	<b>(34 574 662)</b>	<b>8 669 412</b>

#### Cash flows from financing activities

Repayment of other financial liabilities	(3 356 578)	-	(3 356 578)	(3 356 578)	-
Net increase/(decrease) in cash and cash equivalents	(3 033 224)	1 528 584	(1 504 640)	(4 280 095)	(2 775 455)
Cash and cash equivalents at the beginning of the year	8 207 253	6 782 173	14 989 426	14 989 426	-
<b>Cash and cash equivalents at the end of the year</b>	<b>5 174 029</b>	<b>8 310 757</b>	<b>13 484 786</b>	<b>10 709 331</b>	<b>(2 775 455)</b>

# Lesedi Local Municipality

(Registration number GT423)

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## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2017</b>											
<b>Financial Performance</b>											
Property rates	98 270 357	(21 274)	98 249 083	-		98 249 083	96 106 256		(2 142 827)	98 %	98 %
Service charges	456 006 105	(5 505 348)	450 500 757	-		450 500 757	437 756 801		(12 743 956)	97 %	96 %
Investment revenue	14 699 910	(6 369 797)	8 330 113	-		8 330 113	15 178 827		6 848 714	182 %	103 %
Transfers recognised - operational	104 605 538	(2 134 138)	102 471 400	-		102 471 400	106 611 871		4 140 471	104 %	102 %
Other own revenue	53 833 916	185 432	54 019 348	-		54 019 348	54 632 036		612 688	101 %	101 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>727 415 826</b>	<b>(13 845 125)</b>	<b>713 570 701</b>	<b>-</b>		<b>713 570 701</b>	<b>710 285 791</b>		<b>(3 284 910)</b>	<b>100 %</b>	<b>98 %</b>
Employee costs	(156 587 383)	(237 061)	(156 824 444)	-	-	(156 824 444)	(157 124 522)	-	(300 078)	100 %	100 %
Remuneration of councillors	(9 819 461)	-	(9 819 461)	-	-	(9 819 461)	(10 023 890)	-	(204 429)	102 %	102 %
Debt impairment	(110 038 542)	11 635 758	(98 402 784)			(98 402 784)	(139 242 477)	-	(40 839 693)	142 %	127 %
Depreciation and asset impairment	(41 807 809)	-	(41 807 809)			(41 807 809)	(36 535 436)	-	5 272 373	87 %	87 %
Finance charges	(10 345 817)	-	(10 345 817)	-	-	(10 345 817)	(11 261 531)	-	(915 714)	109 %	109 %
Materials and bulk purchases	(262 960 897)	(13 710 435)	(276 671 332)	-	67 393	(276 603 939)	(277 099 681)	-	(495 742)	100 %	105 %
Transfers and grants	-	-	-	-	-	-	(4 969 885)	-	(4 969 885)	DIV/0 %	DIV/0 %
Other expenditure	(117 670 732)	(2 710 924)	(120 381 656)	-	(67 393)	(120 449 049)	(105 577 189)	-	14 871 860	88 %	90 %
<b>Total expenditure</b>	<b>(709 230 641)</b>	<b>(5 022 662)</b>	<b>(714 253 303)</b>	<b>-</b>		<b>(714 253 303)</b>	<b>(741 834 611)</b>		<b>(27 581 308)</b>	<b>104 %</b>	<b>105 %</b>

# Lesedi Local Municipality

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Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total revenue (excluding capital transfers and contributions)	727 415 826	(13 845 125)	713 570 701	-	-	713 570 701	710 285 791	-	(3 284 910)	100 %	98 %
Total expenditure Surplus/(Deficit)	(709 230 641)	(5 022 662)	(714 253 303)	-	-	(714 253 303)	(741 834 611)	-	(27 581 308)	104 %	105 %
Surplus/(Deficit)	<b>18 185 185</b>	<b>(18 867 787)</b>	<b>(682 602)</b>	-	-	<b>(682 602)</b>	<b>(31 548 820)</b>	-	<b>(30 866 218)</b>	<b>4 622 %</b>	<b>(173)%</b>
Transfers recognised - capital	39 374 000	4 576 104	43 950 104	-	-	43 950 104	40 266 629	-	(3 683 475)	92 %	102 %
Surplus/(Deficit)	18 185 185	(18 867 787)	(682 602)	-	-	(682 602)	(31 548 820)	-	(30 866 218)	4 622 %	(173)%
Capital transfers and contributions	39 374 000	4 576 104	43 950 104	-	-	43 950 104	40 266 629	-	(3 683 475)	92 %	102 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>57 559 185</b>	<b>(14 291 683)</b>	<b>43 267 502</b>	-	-	<b>43 267 502</b>	<b>8 717 809</b>	-	<b>(34 549 693)</b>	<b>20 %</b>	<b>15 %</b>
Surplus (Deficit) after capital transfers and contributions	57 559 185	(14 291 683)	43 267 502	-	-	43 267 502	8 717 809	-	(34 549 693)	20 %	15 %
<b>Surplus/(Deficit) for the year</b>	<b>57 559 185</b>	<b>(14 291 683)</b>	<b>43 267 502</b>	-	-	<b>43 267 502</b>	<b>8 717 809</b>	-	<b>(34 549 693)</b>	<b>20 %</b>	<b>15 %</b>

# Lesedi Local Municipality

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## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	57 011 000	(13 766 926)	43 244 074	-		43 244 074	34 574 663		(8 669 411)	80 %	61 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	34 611 000	4 449 104	39 060 104	-		39 060 104	31 325 942		(7 734 162)	80 %	91 %
Internally generated funds	22 400 000	(18 216 030)	4 183 970	-		4 183 970	3 248 721		(935 249)	78 %	15 %
<b>Total sources of capital funds</b>	<b>57 011 000</b>	<b>(13 766 926)</b>	<b>43 244 074</b>	<b>-</b>		<b>43 244 074</b>	<b>34 574 663</b>		<b>(8 669 411)</b>	<b>80 %</b>	<b>61 %</b>

# **Lesedi Local Municipality**

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### **1.1 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.2 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

#### **Cost model**

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

<b>Item</b>	<b>Useful life</b>
Property - land	indefinite
Property - buildings	30 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

# **Lesedi Local Municipality**

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

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### **1.2 Investment property (continued)**

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### **1.3 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

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<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
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# Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

Infrastructure	Straight line	
• Roads and paving		10-30 years
• Electricity		20-30 years
• Water		15-20 years
• Sewerage		15-20 years
• Landfill site		4 years
Community	Straight line	
• Buildings		30 years
• Recreational facilities		20-30 years
• Security		5 years
Other property, plant and equipment	Straight line	
• Buildings		30 years
• Specialist vehicles		20 years
• Other vehicles		5 years
• Furniture and fittings		7 years
• Bins and containers		5 years
• Office equipment		3-7 years
• Library books		5-25 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

# **Lesedi Local Municipality**

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Annual Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

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### **1.4 Intangible assets (continued)**

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Computer software, other	Straight line	3 years
Servitudes	Straight line	indefinite

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### **1.5 Heritage assets**

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### **Recognition**

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### **Initial measurement**

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### **Subsequent measurement**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### **Impairment**

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### **Derecognition**

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### **1.6 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

# **Lesedi Local Municipality**

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

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### **1.6 Financial instruments (continued)**

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

### **Classification**

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Trade and other receivables	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Other financial liabilities	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

### **Initial recognition**

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

### **Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

# **Lesedi Local Municipality**

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## **Accounting Policies**

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### **1.6 Financial instruments (continued)**

#### **Subsequent measurement of financial assets and financial liabilities**

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### **Fair value measurement considerations**

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### **Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### **Impairment and uncollectability of financial assets**

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

# **Lesedi Local Municipality**

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Annual Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

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### **1.6 Financial instruments (continued)**

#### **Derecognition**

##### **Financial assets**

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### **Financial liabilities**

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### **Presentation**

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### **1.7 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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### **1.7 Leases (continued)**

#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Income for leases is disclosed under revenue in statement of financial performance.

### **1.8 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

### **1.9 Impairment of cash-generating assets**

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### **Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

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### **1.9 Impairment of cash-generating assets (continued)**

#### **Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

#### **Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

### **1.10 Impairment of non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

#### **Identification**

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

#### **Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### **1.11 Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

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### **1.11 Employee benefits (continued)**

#### **Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

#### **Post-employment benefits**

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

#### **Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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### **1.11 Employee benefits (continued)**

#### **Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### **Other post retirement obligations**

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

### **1.12 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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### **1.12 Provisions and contingencies (continued)**

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the entity; or
- • a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

### **1.13 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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## **Accounting Policies**

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### **1.13 Revenue from exchange transactions (continued)**

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

Debt impairment is calculated as follows:

- all residential debts which are 90 days and above will be provided for at 100% of the outstanding amount;
- all residential debt which are above 60 days and below 90 days will be provided for at 10% of the outstanding amount;
- residential debt below 60 days will not be provided for; and
- no provision will be made for outstanding government, business and agricultural debt.

#### **Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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### **1.14 Revenue from non-exchange transactions**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

#### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Fines are impaired based on the "average collection" rate in the previous 2 financial years.

### **1.15 Borrowing costs**

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.16 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.17 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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### **1.18 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.19 Irregular expenditure**

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.20 Budget information**

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### **1.21 Related parties**

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the control of the municipality are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions. The municipality only considers the executive management team of the municipality as related parties. The executive management team comprises of the Municipal Manager, Chief Financial Officer and other Executive Managers.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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### 2. New standards and interpretations

### 3. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	267 336 844	(68 557 547)	198 779 297	267 336 844	(57 186 762)	210 150 082

### Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	210 150 082	(11 370 785)	198 779 297

### Reconciliation of investment property - 2016

	Opening balance	Transfers	Depreciation	Total
Investment property	220 980 383	1 544 932	(12 375 233)	210 150 082

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 4. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	173 147 559	-	173 147 559	173 147 559	-	173 147 559
Infrastructure	632 096 221	(314 503 947)	317 592 274	598 480 518	(299 593 798)	298 886 720
Community	133 067 605	(71 169 958)	61 897 647	133 695 680	(66 244 625)	67 451 055
Other property, plant and equipment	42 069 830	(27 774 052)	14 295 778	39 715 663	(24 667 325)	15 048 338
Capital work in progress	34 842 576	-	34 842 576	37 802 524	-	37 802 524
Library books	13 827 240	(9 346 862)	4 480 378	13 827 240	(7 881 080)	5 946 160
Work in progress - Library books	4 114 774	-	4 114 774	2 390 523	-	2 390 523
<b>Total</b>	<b>1 033 165 805</b>	<b>(422 794 819)</b>	<b>610 370 986</b>	<b>999 059 707</b>	<b>(398 386 828)</b>	<b>600 672 879</b>

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### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2017

	<b>Opening balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Depreciation</b>	<b>Total</b>
Land	173 147 559	-	-	-	-	173 147 559
Infrastructure	298 886 720	-	(82 046)	33 524 327	(14 736 727)	317 592 274
Community	67 451 055	-	-	(274 514)	(5 278 894)	61 897 647
Other property, plant and equipment	15 048 338	2 560 547	-	(208 392)	(3 104 715)	14 295 778
Capital work in progress	37 802 524	30 289 864	-	(33 249 812)	-	34 842 576
Library books	5 946 160	-	-	-	(1 465 782)	4 480 378
Work in progress - Library books	2 390 523	1 724 251	-	-	-	4 114 774
	<b>600 672 879</b>	<b>34 574 662</b>	<b>(82 046)</b>	<b>(208 391)</b>	<b>(24 586 118)</b>	<b>610 370 986</b>

#### Reconciliation of property, plant and equipment - 2016

	<b>Opening balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Depreciation</b>	<b>Impairment loss</b>	<b>Total</b>
Land	173 147 559	-	-	-	-	-	173 147 559
Infrastructure	312 708 655	(213 417)	(45 335)	4 579 558	(18 142 741)	-	298 886 724
Community	70 946 668	-	-	2 632 022	(6 028 303)	(99 332)	67 451 055
Other property, plant and equipment	18 508 411	1 466 444	(884 373)	2 560	(4 044 704)	-	15 048 338
Capital work in progress	14 778 142	30 238 523	-	(7 214 141)	-	-	37 802 524
Library books	6 774 941	-	(55 566)	489 138	(1 262 353)	-	5 946 160
Work in progress - Library books	2 736 779	142 881	-	(489 137)	-	-	2 390 523
	<b>599 601 155</b>	<b>31 634 431</b>	<b>(985 274)</b>	<b>-</b>	<b>(29 478 101)</b>	<b>(99 332)</b>	<b>600 672 877</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Repairs and maintenance

19 261 039 21 475 150

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Intangible assets

	<b>2017</b>		<b>2016</b>	
	<b>Cost / Valuation</b>	<b>Accumulated amortisation and accumulated impairment</b>	<b>Carrying value</b>	<b>Cost / Valuation</b>
Computer software, other	7 175 086	(3 799 263)	3 375 823	6 966 146
				(3 220 182) 3 745 964

#### Reconciliation of intangible assets - 2017

	<b>Opening balance</b>	<b>Transfers</b>	<b>Amortisation</b>	<b>Total</b>
Computer software, other	3 745 964	208 392	(578 533)	3 375 823

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### 5. Intangible assets (continued)

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	4 634 806	394 914	(1 283 756)	3 745 964

### 6. Heritage assets

	2017		2016	
	Cost / Valuation	Accumulated impairment losses	Cost / Valuation	Accumulated impairment losses
Historical buildings	4 662 664	-	4 662 664	4 820 366

#### Reconciliation of heritage assets 2017

	Opening balance	Disposals	Total
Historical buildings	4 820 366	(157 702)	4 662 664

#### Reconciliation of heritage assets 2016

	Opening balance	Total
Historical buildings	4 820 366	4 820 366

### 7. Employee benefit obligations

#### Defined benefit plan

##### Post retirement medical aid plan

Eligible in-service and continuation members employed prior to 30 June 2004 and who are on the old South African Local Government Association (SALGA) agreement are entitled to a 60% subsidy of medical scheme contributions on retirement subject to a maximum Rand cap of R3,871.

The Rand cap amount is expected to increase each year in line with healthcare cost inflation, effective 1 January each year.

Summary of membership date:

Reason	Number	Average Age
Continuation members	31	75.00
In-service members	92	50.62

**The amounts recognised in the statement of financial position are as follows:**

Carrying value		
Present value of the defined benefit obligation-wholly unfunded		(52 549 000) (54 390 000)

**Changes in the present value of the defined benefit obligation are as follows:**

Opening balance	54 390 000	51 121 000
Net expense recognised in the statement of financial performance	(1 841 000)	3 269 000
	<b>52 549 000</b>	<b>54 390 000</b>

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### 7. Employee benefit obligations (continued)

#### Net expense recognised in the statement of financial performance

Current service cost	1 801 000	1 756 000
Interest cost	5 194 000	4 795 000
Actuarial (gains) losses	(6 980 000)	(1 042 000)
Settlement	(1 856 000)	(2 240 000)
	<b>(1 841 000)</b>	<b>3 269 000</b>

#### Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(6 980 000)	(1 042 000)
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#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,92 %	9,68 %
Proportion of employees opting for early retirement	- %	- %
Expected increase in healthcare costs	8,28 %	9,19 %
Future changes in maximum state healthcare benefits	8,28 %	9,19 %

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	6 107 000	7 060 000
Effect on defined benefit obligation	46 030 000	60 664 000

Amounts for the current and previous four years are as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation	52 549 000	54 390 000	51 121 000	36 800 000	-
Experience adjustments on plan liabilities	-	-	547 000	-	-

#### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

### 8. Inventories

Consumable stores	3 323 662	2 593 656
Water	246 956	220 693
	<b>3 570 618</b>	<b>2 814 349</b>

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### 9. Receivables from exchange transactions

Deposits	594 252	549 150
Sundry debtors	1 038 946	3 512 326
	<b>1 633 198</b>	<b>4 061 476</b>

### 10. Receivables from non-exchange transactions

Fines	4 968 125	6 868 003
Government grants and subsidies	2 409 311	1 826 205
	<b>7 377 436</b>	<b>8 694 208</b>

Reconciliation for fines is shown in note 55.

### 11. Consumer debtors

#### Gross balances

Rates	60 184 308	52 555 878
Electricity	134 863 841	113 240 940
Water	157 629 099	119 570 068
Sewerage	42 748 775	34 927 880
Refuse	63 505 568	51 443 713
VAT	52 178 277	41 583 641
Other	53 453 574	40 261 232
	<b>564 563 442</b>	<b>453 583 352</b>

#### Less: Allowance for impairment

Rates	(38 947 534)	(35 714 026)
Electricity	(105 431 004)	(85 391 383)
Water	(142 190 193)	(103 215 910)
Sewerage	(37 550 231)	(30 425 359)
Refuse	(57 508 879)	(46 904 140)
VAT	(43 975 499)	(34 014 444)
Other	(27 782 976)	(26 854 039)
	<b>(453 386 316)</b>	<b>(362 519 301)</b>

#### Net balance

Rates	21 236 774	16 841 852
Electricity	29 432 837	27 849 557
Water	15 438 906	16 354 158
Sewerage	5 198 544	4 502 521
Refuse	5 996 689	4 539 573
VAT	8 202 778	7 569 197
Other	25 670 598	13 407 193
	<b>111 177 126</b>	<b>91 064 051</b>

#### Rates

Current (0 -30 days)	6 674 752	8 013 315
31 - 60 days	2 417 806	2 661 374
61 - 90 days	1 847 589	1 872 653
91 - 120 days	648 050	4 294 510
121 - 365 days	4 084 296	-
> 365 days	5 564 281	-
	<b>21 236 774</b>	<b>16 841 852</b>

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### 11. Consumer debtors (continued)

#### Electricity

Current (0 -30 days)	14 704 819	18 217 081
31 - 60 days	4 880 207	3 571 200
61 - 90 days	3 704 996	2 743 201
91 - 120 days	415 879	3 318 075
121 - 365 days	2 312 373	-
> 365 days	3 414 563	-
	<b>29 432 837</b>	<b>27 849 557</b>

#### Water

Current (0 -30 days)	2 963 502	8 584 711
31 - 60 days	4 454 371	5 567 199
61 - 90 days	3 955 097	1 654 425
91 - 120 days	210 617	547 823
121 - 365 days	1 228 661	-
> 365 days	2 626 658	-
	<b>15 438 906</b>	<b>16 354 158</b>

#### Sewerage

Current (0 -30 days)	1 917 265	1 679 023
31 - 60 days	1 238 928	970 894
61 - 90 days	1 047 722	846 749
91 - 120 days	41 345	1 005 855
121 - 365 days	290 232	-
> 365 days	663 052	-
	<b>5 198 544</b>	<b>4 502 521</b>

#### Refuse

Current (0 -30 days)	2 395 396	1 852 305
31 - 60 days	1 653 315	1 318 767
61 - 90 days	1 383 429	1 184 706
91 - 120 days	31 809	183 795
121 - 365 days	192 633	-
> 365 days	340 107	-
	<b>5 996 689</b>	<b>4 539 573</b>

#### VAT

Current (0 -30 days)	3 804 869	4 408 072
31 - 60 days	1 536 002	1 601 306
61 - 90 days	1 298 020	895 870
91 - 120 days	92 560	663 949
121 - 365 days	516 415	-
> 365 days	954 912	-
	<b>8 202 778</b>	<b>7 569 197</b>

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### 11. Consumer debtors (continued)

#### Other (specify)

Current (0 -30 days)	6 322 686	9 892 335
31 - 60 days	4 312 829	710 242
61 - 90 days	4 228 773	599 246
91 - 120 days	4 473 678	474 188
121 - 365 days	5 232 275	484 642
> 365 days	1 100 357	1 246 540
	<b>25 670 598</b>	<b>13 407 193</b>

#### Reconciliation of allowance for impairment

Balance at beginning of the year	(362 519 301)	(317 386 224)
Contributions to allowance	(105 917 730)	(74 639 170)
Debt impairment written off against allowance	15 050 715	29 506 093
	<b>(453 386 316)</b>	<b>(362 519 301)</b>

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	607 207	294 792
Bank balances	1 007 450	2 350 817
Short-term deposits	9 700 294	12 636 709
	<b>11 314 951</b>	<b>15 282 318</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA Bank - Main Cheque Account	832 529	2 274 860	1 972 744	1 366 132	792 832	610 215
ABSA Bank - Cheque Account	174 921	75 957	407 259	174 921	75 957	407 259
ABSA Bank - Call Account	6 723 495	11 746 236	13 323 909	6 723 495	11 746 236	13 323 909
Investec - Call Account	2 976 799	890 473	3 269 254	2 976 799	890 473	3 269 254
<b>Total</b>	<b>10 707 744</b>	<b>14 987 526</b>	<b>18 973 166</b>	<b>11 241 347</b>	<b>13 505 498</b>	<b>17 610 637</b>

### 13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Government grant (operating) 8 - Provincial clinics	(440 684)	(522 096)
Government grant (operating) 12 - District health	(1 968 627)	(1 304 109)
Government grant (operating) 17 - BKB grant	26 043	274 027
Government grant (operating) 19 - Department of Public Service and Administration	900 000	-
Government grant (capital) 2 - Integrated National Electrification Programme Grant	-	1 490 590
Government grant (capital) 6 - Recapitalization of Community Libraries Grant	156 550	1 639 362
Government grant (capital) 11 - NLDTF/Lotto	1 328	502 572
Government grant (operating) - Moneys receivable	2 409 311	1 826 205
	<b>1 083 921</b>	<b>3 906 551</b>

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### 13. Unspent conditional grants and receipts (continued)

#### Movement during the year

Balance at the beginning of the year	3 906 551	4 436 059
Additions during the year	141 676 560	127 480 116
Income recognition during the year	(146 878 501)	(129 835 829)
Transfer to payables	(30 000)	-
Reversal of debtor for reconciliation	2 409 311	1 826 205
	<b>1 083 921</b>	<b>3 906 551</b>

#### Net grants movement reconciliation

Receivables from non-exchange transactions	(2 409 311)	(1 826 205)
Unspent conditional grant rollovers	2 377 445	3 906 551
	<b>(31 866)</b>	<b>2 080 346</b>

See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

### 14. Other financial liabilities

#### At amortised cost

Bank loans - other	58 637 488	61 994 066
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The municipality has various loans with the DBSA with periods ranging from 12 to 20 years. The interest rates are fixed and range from 5% to 14.24%.

Refer to appendix A for details on loans.

#### Non-current liabilities

At amortised cost	54 965 721	58 637 488
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#### Current liabilities

At amortised cost	3 671 767	3 356 578
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### 15. Provisions

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	8 566 098	-	-	454 008	9 020 106
Provision for 13th cheque	3 732 484	4 079 081	(3 905 394)	-	3 906 171
Provision for leave pay	11 112 791	4 205 030	(2 525 606)	-	12 792 215
	<b>23 411 373</b>	<b>8 284 111</b>	<b>(6 431 000)</b>	<b>454 008</b>	<b>25 718 492</b>

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	4 747 680	-	-	3 818 418	8 566 098
Provision for 13th cheque	2 990 865	7 117 774	(6 376 155)	-	3 732 484
Provision for leave pay	8 469 458	4 717 955	(2 074 622)	-	11 112 791
	<b>16 208 003</b>	<b>11 835 729</b>	<b>(8 450 777)</b>	<b>3 818 418</b>	<b>23 411 373</b>

Non-current liabilities	8 739 581	8 394 776
Current liabilities	16 978 911	15 016 597
	<b>25 718 492</b>	<b>23 411 373</b>

### 16. Payables from exchange transactions

Trade payables	61 704 567	83 173 061
Payments received in advanced	15 871 634	14 794 735
Retentions	4 182 246	3 062 630
Accrued bonus	3 131 935	3 053 184
Accrued salaries	3 824 003	2 090 857
Deposits received	472 710	323 000
Other payables	277 175	325 807
Unclaimed and confiscated deposits	1 463 633	1 462 260
Grants to be repaid	30 000	-
	<b>90 957 903</b>	<b>108 285 534</b>

### 17. VAT payable

Tax refunds payables	42 148 935	18 046 700
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### 18. Consumer deposits

All services	10 740 910	9 563 820
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### 19. Revenue

Service charges	437 756 801	399 394 794
Rental of facilities and equipment	4 781 347	4 078 508
Licences and permits	64 822	62 201
Administration and management fees received	1 629 649	3 098 515
Recoveries	3 378 052	2 875 203
Other income	414 321	425 844
Interest received	15 178 827	11 771 535
Property rates	96 106 256	89 841 384
Government grants & subsidies	146 878 500	129 835 809
Fines, Penalties and Forfeits	37 383 845	47 683 629
	<b>743 572 420</b>	<b>689 067 422</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Service charges	437 756 801	399 394 794
Rental of facilities and equipment	4 781 347	4 078 508
Licences and permits	64 822	62 201
Administration and management fees received	1 629 649	3 098 515
Recoveries	3 378 052	2 875 203
Other income	414 321	425 844
Interest received	15 178 827	11 771 535
	<b>463 203 819</b>	<b>421 706 600</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

<b>Taxation revenue</b>		
Property rates	96 106 256	89 841 384
<b>Transfer revenue</b>		
Government grants & subsidies	146 878 500	129 835 809
Fines, Penalties and Forfeits	37 383 845	47 683 629
	<b>280 368 601</b>	<b>267 360 822</b>

### 20. Service charges

Sale of electricity	281 955 785	261 814 925
Sale of water	97 780 885	84 727 834
Sewerage and sanitation charges	25 454 851	23 909 331
Refuse removal	31 369 006	27 810 710
Other service charges	1 196 274	1 131 994
	<b>437 756 801</b>	<b>399 394 794</b>

### 21. Rental of facilities and equipment

<b>Premises</b>		
Premises	1 166 342	1 161 730
<b>Facilities and equipment</b>		
Rental of facilities	3 464 327	2 712 555
Rental of equipment	150 678	204 223
	<b>3 615 005</b>	<b>2 916 778</b>

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<b>21. Rental of facilities and equipment (continued)</b>		
Premises	1 166 342	1 161 730
Garages and parking	-	-
Facilities and equipment	3 615 005	2 916 778
	<b>4 781 347</b>	<b>4 078 508</b>
<b>22. Other revenue</b>		
Administration and management fees received - third party	1 629 649	3 098 515
Insurance recoveries	624 963	2 607 262
Other recoveries	2 753 089	267 941
Other income	414 321	425 844
	<b>5 422 022</b>	<b>6 399 562</b>
<b>23. Other income</b>		
Abnormal loads	5 547	2 018
Fire services	3 758	36 038
Traffic services	74 631	65 193
Sale of stands	295 614	285 242
Photocopy charges	33 680	33 894
Sundries	1 091	3 459
	<b>414 321</b>	<b>425 844</b>
<b>24. Investment revenue</b>		
<b>Interest revenue</b>		
Interest charged on trade and other receivables	12 869 492	9 959 305
Interest earned - external investment	2 309 335	1 812 230
	<b>15 178 827</b>	<b>11 771 535</b>
	15 178 827	11 771 535
<b>25. Property rates</b>		
<b>Rates received</b>		
Residential	122 507 945	114 460 349
Less: Income forgone	(26 401 689)	(24 618 965)
	<b>96 106 256</b>	<b>89 841 384</b>
<b>Valuations (R '000)</b>		
Residential	6 594 053	6 562 145
Commercial	1 751 826	1 741 346
State	676 028	676 028
Municipal	298 880	287 800
Small holdings and farms	1 867 802	1 866 157
	<b>11 188 589</b>	<b>11 133 476</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2018.

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Figures in Rand	2017	2016
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	92 186 000	82 794 000
Government grant (operating) 1 - Finance Management Grant	1 475 000	1 450 000
Government grant (capital) 2 - Integrated National Electrification Programme Grant	-	930 000
Government grant (operating) 3 - Expanded Public Works Program Grant	1 238 000	1 347 000
Government grant (operating) 6 - Libraries plan	500 011	500 000
Government grant (operating) 8 - Provincial clinics	14 516	23 984
Government grant (operating) 10 - Department of Human Settlements	5 665 669	-
Government grant (operating) 12 - District health	3 653 168	3 254 245
Government grant (operating) 14 - Expanded Public Works Program (Cogta)	500 000	500 000
Government grant (operating) 16 - GRAP 17 Compliance Grant	1 000 000	1 000 000
Government grant (operating) 17 - BKB Grant	-	186 623
Government grant (operating) 18 - LG Seta	204 507	2 469 503
Government grant (operating) 19 - Department of Public Service and Administration	175 000	-
	<b>106 611 871</b>	<b>94 455 355</b>
<b>Capital grants</b>		
Government grant (capital) 1 - Municipal Infrastructure Grant	21 404 000	26 115 312
Government grant (capital) 2 - Integrated National Electrification Program	7 490 590	3 909 410
Government grant (capital) 6 - Recapitalization of Community Libraries Grant	10 622 811	4 560 638
Government grant (capital) 7 - Environmental Quality Management Grant	-	487 769
Government grant (capital) 11 - NLDTF/Lotto	501 244	307 325
Government grant (capital) 13 - BKB grant	247 984	-
	<b>40 266 629</b>	<b>35 380 454</b>
	<b>106 611 871</b>	<b>94 455 355</b>
	<b>40 266 629</b>	<b>35 380 454</b>
	<b>146 878 500</b>	<b>129 835 809</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	54 692 500	47 041 809
Unconditional grants received	92 186 000	82 794 000
	<b>146 878 500</b>	<b>129 835 809</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R 416 (2016: R 386), which is funded from the grant.		
<b>Government grant (operating) 1 - Finance Management Grant</b>		
Current-year receipts	1 475 000	1 450 000
Conditions met - transferred to revenue	(1 475 000)	(1 450 000)
	-	-
<b>Government grant (operating) 3 - Expanded Public Works Program Grant</b>		
Current-year receipts	1 238 000	1 347 000
Conditions met - transferred to revenue	(1 238 000)	(1 347 000)
	-	-

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Figures in Rand	2017	2016
<b>26. Government grants and subsidies (continued)</b>		
<b>Government grant (operating) 6 - Libraries plan</b>		
Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(500 000)	(500 000)
	-	-
<b>Government grant (operating) 8 - Provincial clinics</b>		
Balance unspent at beginning of year	(522 096)	(629 945)
Current-year receipts	95 928	131 833
Conditions met - transferred to revenue	(14 516)	(23 984)
	(440 684)	(522 096)
Conditions still to be met - remain liabilities (see note 13).		
<b>Government grant (operating) 10 - Department of Human Settlements</b>		
Current-year receipts	5 665 669	-
Conditions met - transferred to revenue	(5 665 669)	-
	-	-
<b>Government grant (operating) 12 - District health</b>		
Balance unspent at beginning of year	(1 304 109)	(1 694 021)
Current-year receipts	2 988 648	3 644 157
Conditions met - transferred to revenue	(3 653 166)	(3 254 245)
	(1 968 627)	(1 304 109)
Conditions still to be met - remain liabilities (see note 13).		
<b>Government grant (operating) 14 - Expanded Public Works Program (Cogta)</b>		
Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(500 000)	(500 000)
	-	-
<b>Government grant (operating) 16 - GRAP 17 Compliance Grant</b>		
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	-
<b>Government grant (operating) 17 - BKB Grant</b>		
Balance unspent at beginning of year	274 027	460 650
Conditions met - transferred to revenue	-	(186 623)
Transfer to capital	(247 984)	-
	26 043	274 027
Conditions still to be met - remain liabilities (see note 13).		
<b>Government grant (operating) 18 - LG Seta</b>		

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### 26. Government grants and subsidies (continued)

Current-year receipts	204 507	2 469 503
Conditions met - transferred to revenue	(204 507)	(2 469 503)
	-	-

### Government grant (operating) 19 - Department of Public Service and Administration

Current-year receipts	1 075 000	-
Conditions met - transferred to revenue	(175 000)	-
	900 000	-

Conditions still to be met - remain liabilities (see note 13).

### Government grant (capital) 1 - Municipal Infrastructure Grant

Balance unspent at beginning of year	-	3 486 312
Current-year receipts	21 404 000	22 629 000
Conditions met - transferred to revenue	(21 404 000)	(26 115 312)
	-	-

Conditions still to be met - remain liabilities (see note 13).

### Government grant (capital) 2 - Integrated National Electrification Programme Grant

Balance unspent at beginning of year	1 490 590	-
Current-year receipts	6 000 000	5 400 000
Conditions met - transferred to revenue	(7 490 590)	(3 909 410)
	-	1 490 590

### Government grant (capital) 6 - Recapitalization of Community Libraries Grant

Balance unspent at beginning of year	1 639 362	-
Current-year receipts	9 170 000	6 200 000
Conditions met - transferred to revenue	(10 622 812)	(4 560 638)
Transfer to payables	(30 000)	-
	156 550	1 639 362

Conditions still to be met - remain liabilities (see note 13).

### Government grant (capital) 7 - Environmental Quality Management Grant

Balance unspent at beginning of year	-	487 769
Conditions met - transferred to revenue	-	(487 769)
	-	-

### Government grant (capital) 11 - NLDTF/Lotto

Balance unspent at beginning of year	502 572	1 328
Current-year receipts	-	808 569
Conditions met - transferred to revenue	(501 244)	(307 325)
	1 328	502 572

Conditions still to be met - remain liabilities (see note 13).

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### **26. Government grants and subsidies (continued)**

#### **Government grant (capital) 13 - BKB grant**

Conditions met - transferred to revenue	(247 984)	-
Transferred from operating	247 984	-
	-	-

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<b>27. Employee related costs</b>		
Basic	91 130 019	85 189 139
Medical aid - company contributions	9 636 087	7 960 891
UIF	825 963	767 383
WCA	2 276 918	-
SDL	1 103 561	979 468
Other payroll levies	44 259	41 367
Leave pay provision charge	1 679 424	2 643 333
Pension costs	17 218 911	16 377 672
Leave pay	2 801 605	2 074 623
Group insurance	1 351 007	1 280 871
Overtime payments	9 280 457	6 535 726
13th Cheques	7 182 306	7 776 551
Acting allowances	1 060 314	710 446
Car allowance	2 346 139	2 403 300
Housing benefits and allowances	1 296 739	1 344 916
Cellphone allowance	88 775	92 550
Entertainment allowance	840	840
Standby	563 162	780 374
Cleaning allowance	240	240
Tool allowance	1 080	1 080
	<b>149 887 806</b>	<b>136 960 770</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	1 640 430	1 209 894
Car Allowance	169 746	254 619
Contributions to UIF, Medical and Pension Funds	1 190	1 785
	<b>1 811 366</b>	<b>1 466 298</b>
An amount of R833,834 was paid to the former municipal manager as a settlement for termination of contract.		
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	1 039 452	163 436
Car Allowance	260 443	40 933
Contributions to UIF, Medical and Pension Funds	1 785	298
	<b>1 301 680</b>	<b>204 667</b>
<b>Remuneration of executive manager: corporate services</b>		
Annual Remuneration	213 486	640 457
Car Allowance	64 000	192 000
Contributions to UIF, Medical and Pension Funds	47 561	142 685
Housing Subsidy	24 000	72 000
Cellphone Allowance	4 000	12 000
	<b>353 047</b>	<b>1 059 142</b>
<b>Remuneration of executive manager: community services</b>		
Annual Remuneration	841 530	791 668
Car Allowance	254 597	262 291
Contributions to UIF, Medical and Pension Funds	26 564	27 324
	<b>1 122 691</b>	<b>1 081 283</b>

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Figures in Rand	2017	2016
<b>27. Employee related costs (continued)</b>		
<b>Remuneration of executive manager: infrastructure services</b>		
Annual Remuneration	692 621	653 717
Car Allowance	269 364	254 226
Contributions to UIF, Medical and Pension Funds	160 706	151 199
Acting Allowance	402 474	265 466
	<b>1 525 165</b>	<b>1 324 608</b>
<b>Remuneration of executive manager: local economic development</b>		
Annual Remuneration	747 733	704 501
Car Allowance	169 505	163 398
Contributions to UIF, Medical and Pension Funds	205 529	191 242
	<b>1 122 767</b>	<b>1 059 141</b>
<b>28. Remuneration of councillors</b>		
Executive Mayor	815 861	778 881
Speaker	659 107	627 278
Councillors	8 548 922	7 816 688
	<b>10 023 890</b>	<b>9 222 847</b>
<b>In-kind benefits</b>		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and the Executive Mayor and the Speaker are provided with secretarial support at the cost of the Council.		
The Executive Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.		
The Executive Mayor has four full-time bodyguards. The Speaker has two full-time bodyguards.		
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	24 586 118	29 477 788
Investment property	11 370 786	12 375 232
Intangible assets	578 532	1 284 072
	<b>36 535 436</b>	<b>43 137 092</b>
<b>30. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	-	99 332
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	-	99 332
	-	-
[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]		
The main classes of assets affected by impairment losses are:		
2016/17	2015/16	
Community assets	-	99,332

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<b>31. Finance costs</b>		
Non-current borrowings	5 613 523	5 844 166
Interest cost on employee benefits	5 194 000	4 795 000
Fair value adjustments on landfill sites	454 008	3 818 418
	<b>11 261 531</b>	<b>14 457 584</b>
<b>32. Debt impairment</b>		
Impairment on traffic fines	31 044 398	36 325 154
Contributions to debt impairment provision	107 112 889	74 639 171
Bad debts written off	1 085 190	1 302 924
	<b>139 242 477</b>	<b>112 267 249</b>
<b>33. Bulk purchases</b>		
Electricity	213 156 199	200 039 163
Water	54 048 350	46 376 173
Sewer purification	9 895 132	8 826 453
	<b>277 099 681</b>	<b>255 241 789</b>
<b>34. Contracted services</b>		
Other Contractors	366 853	566 528

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<b>35. General expenses</b>		
Advertising	308 831	173 122
Auditors remuneration	4 389 037	3 708 339
Bank charges	762 533	583 001
Commission paid	2 169 574	2 268 639
Consulting and professional fees	13 402 109	11 903 709
Consumables	377 028	358 858
Debt collection	7 850 442	6 499 137
Donations	-	1 500
Entertainment	97 094	299 159
Fines and penalties	45 103	20 950
Hire	1 096 415	1 317 712
Insurance	2 770 264	3 277 212
Community development and training	235 123	66 732
IT expenses	980 781	2 585 776
Fleet	7 264 612	7 278 769
Promotions and sponsorships	101 217	91 804
Magazines, books and periodicals	197 898	-
Pest control	63 365	52 009
Postage and courier	969 160	786 485
Printing and stationery	881 643	609 975
Protective clothing	577 827	772 774
Security (Guarding of municipal property)	10 961 702	11 074 364
Software expenses	11 255	-
Staff welfare	159 215	41 340
Subscriptions and membership fees	1 707 256	1 420 346
Telephone and fax	2 387 187	2 472 998
Training	446 388	2 263 917
Travel - local	587 325	460 314
Refuse	7 156 112	8 009 215
Assets expensed	145 619	514 409
Sewerage and waste disposal	247 682	-
Billing and meter reading charges	2 560 054	1 573 376
Laboratory charges	836	432
Grant related expenditure	976 131	1 939 175
Connection costs	403 484	366 774
Indigents	10 275 085	12 592 747
Valuation costs	371 281	213 936
Chemicals	571 373	-
Other expenses	1 799 657	3 604 761
	<b>85 307 698</b>	<b>89 203 766</b>

### 36. Auditors' remuneration

Fees	4 389 037	3 708 339
------	-----------	-----------

### 37. Taxation

The municipality is exempt from income tax in terms of the Income Tax Act (Act No. 58 of 1962) Section 10(1)(a).

### 38. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

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### 38. Operating (deficit) surplus (continued)

Loss on sale of property, plant and equipment	(239 748)	(162 406)
Impairment on property, plant and equipment	-	99 332
Amortisation on intangible assets	578 532	1 284 072
Depreciation on property, plant and equipment	24 586 118	29 477 788
Depreciation on investment property	11 370 786	12 375 232
Employee costs	167 148 412	152 378 756

### 39. Cash generated from operations

Surplus	8 717 809	704 109
<b>Adjustments for:</b>		
Depreciation and amortisation	36 535 436	43 137 092
Gain on sale of assets and liabilities	239 748	162 406
Impairment deficit	-	99 332
Debt impairment	139 242 477	112 267 249
Movements in retirement benefit assets and liabilities	(1 841 000)	3 269 000
Movements in provisions	2 307 119	7 203 370
<b>Changes in working capital:</b>		
Inventories	(756 269)	446 387
Receivables from exchange transactions	2 428 278	553 134
Consumer debtors	(159 355 552)	(145 701 500)
Other receivables from non-exchange transactions	1 316 772	(1 490 013)
Payables from exchange transactions	(17 327 631)	2 056 961
VAT	24 102 235	6 711 094
Unspent conditional grants and receipts	(2 822 630)	(529 508)
Consumer deposits	1 177 090	1 324 991
	<b>33 963 882</b>	<b>30 214 104</b>

### 40. Financial instruments disclosure

#### Categories of financial instruments

2017

#### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	2 238 825	2 238 825
Other receivables from non-exchange transactions	-	9 462 386	9 462 386
Consumer debtors	-	117 245 580	117 245 580
Cash and cash equivalents	10 709 324	-	10 709 324
	<b>10 709 324</b>	<b>128 946 791</b>	<b>139 656 115</b>

#### Financial liabilities

	At amortised cost	Total
Other financial liabilities	58 637 488	58 637 488
Trade and other payables from exchange transactions	90 957 903	90 957 903
Unspent conditional grants	1 083 921	1 083 921
Consumer deposits	10 740 910	10 740 910
VAT payable	42 148 935	42 148 935
	<b>203 569 157</b>	<b>203 569 157</b>

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### 40. Financial instruments disclosure (continued)

2016

#### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	4 354 368	4 354 368
Other receivables from non-exchange transactions	-	8 694 208	8 694 208
Consumer debtors	-	91 064 051	91 064 051
Cash and cash equivalents	14 989 426	-	14 989 426
	<b>14 989 426</b>	<b>104 112 627</b>	<b>119 102 053</b>

#### Financial liabilities

	At amortised cost	Total
Other financial liabilities	61 994 066	61 994 066
Trade and other payables from exchange transactions	108 285 534	108 285 534
Unspent conditional grants	3 906 551	3 906 551
Consumer deposits	9 563 820	9 563 820
VAT payable	18 046 700	18 046 700
	<b>201 796 671</b>	<b>201 796 671</b>

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### 41. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	37 015 885	36 435 179
---------------------------------	------------	------------

##### Total capital commitments

Already contracted for but not provided for	37 015 885	36 435 179
---------------------------------------------	------------	------------

#### Authorised operational expenditure

##### Already contracted for but not provided for

• Valuation costs	-	1 278 502
• Consulting and professional fees	6 241 107	1 668 259
• Software/ IT expenses	-	1 881 118
• Contracted services	9 503 724	176 260
• Telephone and fax	-	3 564 724
• Hire of equipment	-	2 543 053
	<b>15 744 831</b>	<b>11 111 916</b>

##### Total operational commitments

Already contracted for but not provided for	15 744 831	11 111 916
---------------------------------------------	------------	------------

#### Total commitments

##### Total commitments

Authorised capital expenditure	37 015 885	36 435 179
Authorised operational expenditure	15 744 831	11 111 916
	<b>52 760 716</b>	<b>47 547 095</b>

This committed capital expenditure relates to plant and equipment and will be financed by the recapitalisation of libraries grant, the municipal infrastructure grant, the integrated national electrification grant and funds internally generated.

This committed expenditure consists of the following:

1. Gohitile Project Management	R 509,108
2. Nkanyezi Energy Management	R19,000,000
3. Scip Engineering Group	R13,836,417
4. Kwikspace Modular Buildings (Pty) Ltd	R 1,536,265
5. Masixhasane - Let Us Help One Another	R 987,004
6. Mukulu Library Manufacturers	R 380,008
7. Quality Label Solutions	R 408,487
8. Onset Construction	R 358,596

This committed operational expenditure relates to general expenditure and will be financed by funds internally generated.

This committed expenditure consists of the following:

1. ARMS and Risk Management Solution	R5,068,762
2. Payday Software System (Pty) Ltd	R 182,891
3. Heios Investment (Pty) Ltd	R4,595,237
4. Nerm Applications and Testing (Pty) Ltd	R3,933,880
5. RSTE Utility Services	R 650,000
6. Bidvest Steiner	R 324,607
7. Intermediate Data System Trading and Projects	R 989,455

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### **42. Contingencies**

A labour matter is pending against the municipality relating to a dispute with a former employee who is claiming payment of legal costs deducted. The amount of the claim is R477,067.

A labour matter is pending against the municipality relating to a dispute with a former employee who alleges that he was unfairly dismissed and is seeking damages of R112,905.

A labour matter is pending against the municipality relating to a dispute with a former employee who alleges that he was unfairly dismissed and is seeking damages of R76,800.

A labour matter is pending against the municipality relating to a dispute with a former employee who alleges that she was unfairly dismissed and is seeking damages of R74,240.

A labour matter is pending against the municipality relating to a dispute with a former employee who alleges that she was unfairly dismissed and is seeking damages of R12,450,610.

A labour matter is pending against the municipality relating to a dispute with an employee who alleges that he was unfairly demoted and is seeking damages of R90,000.

Litigation is in process against the municipality by a supplier whose contract was terminated. The amount of the claim is R3,509,604.

Litigation is in process against the municipality by a supplier whose contract was terminated. The amount of the claim is R1,120,000.

Litigation is in process against the municipality by a supplier whose contract was terminated. The amount of the claim is R550,335.

Litigation is in process against the municipality by a consumer whose services were disconnected. The amount of the claim is R65,326.

Litigation is in process against the municipality by a supplier whose contract was terminated. The amount of the claim is R7,277,320.

Litigation is in process against the municipality by a supplier whose contract was terminated. The amount of the claim is R5,856,141.

Litigation is in process against the municipality by the South African Municipal Workers Union relating to incidents that occurred during the workers strike of 2008. The amount of the claim is R4,687,725.

### **Contingent assets**

Subsequent to an internal investigation in respect of cash management and based on the outcome of the report, disciplinary proceedings have commenced against the employees concerned to recover an amount of R740,630.

### **43. Related parties**

#### **Relationships**

Accounting Officer

I Rampedi (Acting)

Close family member of key management

None

Joint venture of key management

None

Associate of close family member of key management

None

Members of key management

P Mpele (Chief financial officer)

J Khumalo (Acting executive manager corporate services)

J Marwa (Executive manager development and planning)

C Mokoena (Executive manager community services)

Remuneration of key management is disclosed in Note 27.

# Lesedi Local Municipality

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### 44. Prior period errors

Property, plant and equipment had to be restated due to assets found during the verification process that were not previously in the asset register and due to heritage assets incorrectly included in property, plant and equipment.

Investment property had to be restated due to assets found during the verification process that were not previously in the asset register.

Intangible assets were restated due to assets found during the verification process that were incorrectly included as intangible assets.

Heritage assets had to be restated due to assets found during the verification process that were incorrectly accounted for as property, plant and equipment.

Receivables from exchange transactions were restated to account for overpayment to contractor for electrical infrastructure work. Funds were recovered.

Cash and cash equivalents were restated to account for cash on hand incorrectly classified as receivables from exchange transactions.

Payables from exchange transactions had to be restated due to rental income received from consumer not being billed.

Employee related costs were restated due to post retirement medical costs incorrectly classified as general expenses.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Investment property	-	1 544 932
Property, plant and equipment	-	(1 985 441)
Intangible assets	-	(172 083)
Heritage assets	-	4 662 664
Receivables from exchange transactions	-	213 417
Cash and cash equivalents	-	292 892
Payables from exchange transactions	-	75 639
Vat payable	-	(16 439)
Opening Accumulated Surplus or Deficit	-	4 311 481

#### Statement of financial performance

Rental income	-	(59 137)
Employee related costs	-	1 024 184
Depreciation expense	-	(272 411)
General expenses	-	(996 736)

### 45. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

#### Statement of financial position

Provisions (current liabilities)	-	171 322
Provision (non-current liabilities)	-	(171 322)
	-	-

#### Statement of financial performance

Administration and management fees	-	343 309
Other income	-	(343 309)
	-	-

# Lesedi Local Municipality

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### 46. Risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Current account (ABSA)	832 529	2 274 860
Current account (ABSA)	174 921	75 957
Call account (ABSA)	6 723 495	11 746 236
Call account (Investec)	2 976 799	890 473
Trade and other receivables from exchange transactions	2 238 825	4 354 368
Other receivables from non-exchange transactions	9 462 386	8 694 208
Consumer debtors	117 245 580	91 064 051

#### Market risk

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 47. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 48. Unauthorised expenditure

Opening balance	122 177 174	51 572 488
Unauthorised expenditure	27 341 560	70 604 686
	<b>149 518 734</b>	<b>122 177 174</b>

### 49. Fruitless and wasteful expenditure

Opening balance	8 665 985	3 656 179
Fruitless and wasteful expenditure	3 914 977	5 009 806
	<b>12 580 962</b>	<b>8 665 985</b>

Fruitless and wasteful expenditure consists of penalties and interest on late payments to Eskom, DBSA, Telkom and SARS.

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<b>50. Irregular expenditure</b>		
Opening balance	126 080 480	83 373 117
Add: Irregular Expenditure - current year	37 278 095	39 831 163
Add: Irregular Expenditure - prior year	-	2 876 200
	<b>163 358 575</b>	<b>126 080 480</b>
<b>Analysis of expenditure awaiting condonation per age classification</b>		
Current year	37 278 095	39 831 163
Prior years	126 080 480	86 249 317
	<b>163 358 575</b>	<b>126 080 480</b>
<b>51. In-kind donations and assistance</b>		
The municipality received the following in-kind donations and assistance:		
MiSA provided the municipality with the services of a structural and civil expert (12 months).		
Provincial Treasury provided the municipality with the services of a municipal finance specialist (6 months).		
<b>52. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Current year subscription / fee	4 389 037	3 613 169
Amount paid - current year	(4 389 037)	(3 613 169)
	-	-
<b>PAYE and UIF</b>		
Current year subscription / fee	20 552 267	18 087 386
Amount paid - current year	(20 552 267)	(18 087 386)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	25 752 669	23 819 603
Amount paid - current year	(25 752 669)	(23 819 603)
	-	-
<b>VAT</b>		
VAT payable	42 148 935	18 046 700

All VAT returns have been submitted by the due date throughout the year.

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### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding	Outstanding	Total
	less than 90 days	more than 90 days	R
JM Sabasa	2 944	397	3 341
M Malefela	962	255	1 217
TP Nyembe	1 287	32 651	33 938
M Lukhele	2 206	6 033	8 239
AZ Abdulla	4 007	15 356	19 363
	<b>11 406</b>	<b>54 692</b>	<b>66 098</b>

30 June 2016	Outstanding	Outstanding	Total
	less than 90 days	more than 90 days	R
SM Sibeko	2 666	-	2 666

#### Supply chain management regulations

In terms of section 45 of the Municipal Supply Chain Management Regulations any award of more than R2000 to a person who is a spouse, child or parent of a person who is in the service of the state, or has been in the service of the state in the previous 12 months must be disclosed in the annual financial statements. These awards are as disclosed below:

An amount of R20 057 was paid to Prosellono Trading & Projects(Pty)Ltd for the 2016/17 Financial Year whose owner Mr Sello Mofokeng, is the spouse of Nonhlanhla Mkwana who is employed as a creditors officer at Lesedi Local Municipality.

### 53. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Thirty three procurements, noted below, were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The procurements noted above are:

Reason	Number	Value
Emergency [S36 (1)(a)(i)]	16 Companies	R 4 238 916
Sole supplier [S36 (1)(a)(ii)]	2 Company	R 18 400
Impractical to follow SCM [S36 (1)(a)(v)]	43 Companies	R 3 621 836

# Lesedi Local Municipality

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Figures in Rand	2017	2016
<b>54. Debtors on RDP houses not yet transferred</b>		
<b>Reconciliation of RDP houses not yet transferred</b>		
Debtors on RDP houses not yet transferred	146 883 483	146 883 483
Impairment on debtors on RDP houses not yet transferred	(146 883 483)	(146 883 483)
	-	-
<b>55. Reconciliation of traffic fines</b>		
Fines	98 511 542	67 282 071
Impairment	(91 458 467)	(60 414 068)
	<b>7 053 075</b>	<b>6 868 003</b>
<b>56. Unaccounted water and electricity</b>		
<b>Distribution loss amounts</b>		
Electricity	20 460 206	29 754 908
Water	11 544 106	10 878 359
	<b>32 004 312</b>	<b>40 633 267</b>
<b>Distribution loss percentage</b>		
Electricity	13	19
Water	19	20
	<b>32</b>	<b>39</b>
Distribution losses for electricity is reported after taking into account acceptable network losses of 5.2% (R8 359 322) and own use of 2.24% (R3 594 305).		
Distribution losses for water is reported after taking into account acceptable network losses of 5.54% (R3 342 688) and own use of 0.59% (R 356 846)		
<b>57. Budget differences</b>		
<b>Material differences between budget and actual amounts</b>		
Explanation for variances between budget and actuals:		
<b>Statement of financial performance</b>		
1. Service charges - Variance is due to inconsistencies in meter readings.		
2. Rental of facilities and equipment - Lower than anticipated use of municipal amenities.		
3. Administration and management fees received - Stringent implementation of credit control policy in the second half of the year led to increased reconnections.		
4. Recoveries - The figure increased as in some instances of insurance claims, the insurer opted to pay the sum equal to the losses claimed for rather than replace or repair the damaged/lost asset.		
5. Interest received - The interest received increased due to increase in the debtor's book.		
6. Remuneration of councillors - The over expenditure on councillors remuneration was incurred after the application of the "upper limits" on councillors remuneration.		
7. Depreciation - The variance on depreciation is as a result of the assessment of the asset register and physical verification of municipal assets.		
8. Finance costs - Increase is due to a reassessment of the employee benefits.		
9. Debt impairment - The variance is due to lower than anticipated debtor's collection rate.		
10. Repairs and maintenance - The variance is due to reduced maintenance taking place as a result of cash constraints and sourcing of goods and services at reduced rates.		
11. Bulk purchases - The variance is due to Eskom winter tariffs.		
12. Transfers and subsidies - Transfers received from the Department of Human Settlements for acquiring of containerized mobile dewatering plant for ERWAT.		
13. General expenses - Variance is due to cost containment measures undertaken due to cash constraints.		

# Lesedi Local Municipality

## Appendix A

### Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
<b>Development Bank of South Africa</b>								
R13 Ratanda electricity - 9,45% fixed	102187	15 years	2 463 134	-	406 027	2 057 107	-	-
R14 Electrical upgrade - 9,59% fixed	102986_1	20 years	16 597 666	-	784 878	15 812 788	-	-
R15 Electrical upgrade - 5% fixed	102986_2	20 years	9 975 414	-	624 464	9 350 950	-	-
R16 Vehicle - 11,87% fixed	6100956	12 years	4 858 467	-	323 252	4 535 215	-	-
R17 Infrastructure - 6,75% fixed	6100955	20 years	2 799 514	-	125 364	2 674 150	-	-
R18 Other - 14,24% fixed	6100954	20 years	2 638 660	-	122 284	2 516 376	-	-
R19 Electrical infrastructure - 12% fixed	61006830	20 years	7 229 055	-	175 927	7 053 128	-	-
R20 Electrical upgrade - 6,75% fixed	61006831	20 years	11 447 614	-	437 226	11 010 388	-	-
R21 Roads and stormwater - 11,65% fixed	61006809	12 years	3 984 542	-	357 155	3 627 387	-	-
			<b>61 994 066</b>	-	<b>3 356 577</b>	<b>58 637 489</b>	-	-
<b>Total external loans</b>								
Development Bank of South Africa			61 994 066	-	3 356 577	58 637 489	-	-
			<b>61 994 066</b>	-	<b>3 356 577</b>	<b>58 637 489</b>	-	-